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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Adjustment Administration  
Division of Information

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FACTS ABOUT PARITY PAYMENTS FOR 1940

The Agricultural Adjustment Act of 1938 authorized and directed the Secretary of Agriculture to make parity payments to producers of basic commodities, if and when appropriations were provided for that purpose.

In conformity with that authorization, the Agriculture Appropriation Act for 1940, approved June 30, 1939, appropriated \$225,000,000 for parity payments to producers of corn (in the commercial corn area), wheat, cotton, tobacco, and rice.

This sum has been apportioned among the five crops on the basis of the amount by which each failed to reach the parity income for that commodity in the marketing year beginning in 1939.

Basis for Parity Payments on Individual Farms.

Parity payments for any of the specified crops will be made only on the normal yield of the farm acreage allotment established for that commodity under the 1940 Agricultural Conservation Program, and only in the event that the acreage of the commodity planted for harvest in 1940 does not exceed the farm acreage allotment. Additional requirements are that a producer must plant within the total of the acreage allotments for corn, wheat, cotton, rice and tobacco established for his farm under the 1940 program, and also that the producer not offset conservation performance on the farm by overplanting the five commodities on other farms in which he has an interest. Producers of winter wheat may receive 1940 parity payments before their 1940 performance as to allotments for corn, cotton, rice or tobacco is checked, provided they agree to make refunds if subsequent checking shows they have overplanted their allotments for any of the four other crops.

Rates of Payment.

In determining parity and farm prices in connection with the calculation of parity income, the average price of the commodity during the crop year is used. The rate of payment for any of the five specified commodities is not to exceed the difference between the average farm price and 75 percent of the parity price. Therefore, no payment is provided on any commodity if the average farm price of that commodity is 75 percent or more of the parity price.

The rates of payment applicable to the specified commodities in 1940 are as follows:

Wheat ... 10 cents per bu.	Cotton ... 1.55 cents per lb.
Corn .... 5 cents per bu.	Rice ..... 9.3 cents per cwt.
The estimated 1939 season's average price for each kind of tobacco was above 75 percent of parity; therefore, no parity payments will be made on that crop in 1940.	

What Is Parity Price?

"Parity Price" for an agricultural commodity is defined by the Act as that price which will give to the commodity a purchasing power in relation to articles that farmers buy equivalent to the purchasing power of such commodity in the base period (August 1909 to July 1914 for all basic commodities except tobacco, the base period for which is August 1919 to July 1929). As interest and taxes constitute as much a part of farm operation costs as the prices a farmer pays for farm machinery or farm living, the items of interest and taxes are included in the index of prices paid by farmers. This is true of all commodities designated as basic under the Agricultural Adjustment Act of 1938, except tobacco.



